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June 1, 2006

Michael W. Patten
Roshka DeWulf & Patten, PLC
One Arizona Center Street
400 East Van Buren Street, Suite 800
Phoenix, Arizona 85004

RE: Palo Verde Utilities Company, L.L.C. and Santa Cruz Water Company, L.L.C. –
Applications for Extensions of its Certificate of Convenience and Necessity (CC&N)
Docket No. SW-03575A-05-0926 and W-03576A-05-0926
and
Arizona Water Company, an Arizona Corporation – Application for Extension of its
CC&N Docket No. **W-01445A-06-0199**
INSUFFICIENCY LETTER #3

Dear Sir:

In reference to the above mentioned application filed on December 28, 2005, and the supporting documents filed on April 6, 2006, and May 8, 2006, this letter is to inform you that the application still has not met the sufficiency requirements as outlined in the Arizona Administrative Code. The deficiencies are:

1. After analyzing the wastewater flow data, annual reports and the projected customers in the requested area, the projected wastewater by the end of five years will exceed the existing 3 MGD wastewater treatment plant (Campus 1 WRF). However, the design report stated that initially wastewater from the requested area will be treated in Campus 1 WRF and a 6MGD SESA plant will be installed to treat the requested area. Please provide a copy of proposed construction schedule of SESA 6MGD plant.
2. Based on the water usage (2/2005 to 3/2006), 2,100 GPM for 4 hours designed for fire flow, 2,700 projected customers in the requested area and assume a 2,000 GPM well in the proposed SE water system; the Company has to install a storage tank with a minimum storage capacity of 2,000,000 gallons in order to meet the demand. However, in the April 6, 2006 response to Staff's letter, the Company expects that the expense for the proposed reservoir installation is \$1.13 million dollars. Based on this, the unit cost for the storage tank is \$0.56/gallon which is very low. Please specify the size of the proposed storage tank and well capacity for the first five year growth in the requested area.

Staff would like to use this opportunity to bring the following to your attention:

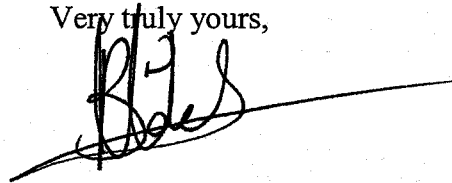
Palo Verde & Santa Cruz (Docket No. SW-03575A-05-0926 and W-03576A-05-0926)
Insufficiency Letter
6/1/2006
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- Pursuant to the Arizona Administrative Code ("A.A.C.") R-14-2-411(C), the time-frame for administrative completeness review shall be suspended from the time the notice of deficiency is issued until staff determines that the application is complete. Upon meeting sufficiency requirements, the Commission has 150 calendar days for its substantive review. This includes conducting a hearing and preparing Opinion and Order to present to the Commission at an Open Meeting.

Please file your response to this Insufficiency Letter with Docket Control.

If you have any questions concerning this matter, please do not hesitate to contact me at 602-542-0840 or Dorothy Hains at 602-542-7274.

Very truly yours,

A handwritten signature in black ink, appearing to read "Blessing N. Chukwu", written over a horizontal line.

Blessing N. Chukwu
Executive Consultant III

BNC

cc: Docket Control
Del Smith
Lyn Farmer
Brian Bozzo
Vicki Wallace